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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE POWER COST)
ADJUSTMENT (PCA) ANNUAL RATE)
ADJUSTMENT FILING OF AVISTA)
CORPORATION)

CASE NO. AVU-E-16-05
DIRECT TESTIMONY OF
WILLIAM G. JOHNSON

FOR AVISTA CORPORATION

1 I. INTRODUCTION

2 Q. Please state your name, business address, and present
3 position with Avista Corporation.

4 A. My name is William G. Johnson. My business address
5 is 1411 East Mission Avenue, Spokane, Washington, and I am
6 employed by Avista Utilities ("Avista" or "Company") as a
7 Wholesale Marketing Manager in the Energy Resources Department.

8 Q. What is your educational background?

9 A. I graduated from the University of Montana in 1981
10 with a Bachelor of Arts Degree in Political Science/Economics.
11 I obtained a Master of Arts Degree in Economics from the
12 University of Montana in 1985.

13 Q. How long have you been employed by the Company and
14 what are your duties as a Wholesale Marketing Manager?

15 A. I started working for Avista in April 1990 as a
16 Demand Side Resource Analyst. I joined the Energy Resources
17 Department as a Power Contracts Analyst in June 1996. My
18 primary responsibilities involve power contract origination
19 and management and power supply regulatory issues.

20 Q. What is the scope of your testimony in this
21 proceeding?

22 A. My testimony will provide a brief summary of the
23 factors driving power supply expenses during the review period
24 July 2015 through June 2016. I also describe new long-term

1 contracts the Company entered into during the deferral period
2 and the supporting documentation that is provided in electronic
3 format.

4

5 II. SUMMARY OF DEFERRALS

6 Q. Would you please summarize power supply expenses
7 during the July 2015 through June 2016 review period?

8 A. Yes. During the review period, Idaho's share of
9 power supply expenses was lower than the authorized level by
10 \$1,901,800, not including the net changes in costs associated
11 with the Clearwater Paper electric service agreement or the
12 credit to Idaho for RECs used to meet Washington RPS. Under
13 the 90% / 10% PCA sharing, a balance of \$1,711,620 is due to
14 customers in rebate direction.

15 Certain changes in revenues and expenses are tracked at
16 100% in the PCA, per prior Commission orders. The Clearwater
17 Paper power purchase expense and the Clearwater Paper retail
18 revenue related to the level of Clearwater generation¹ is one
19 such item. The difference between actual costs/revenues and
20 authorized costs/revenues related to Clearwater Paper power
21 purchase expense and retail revenue was \$1,267,440 in the

¹ The Clearwater Paper power purchase and revenue associated with the purchase is tracked at 100% in the PCA per Idaho Public Utilities Commission Order No. 32841 dated June 28, 2013.

1 surcharge direction. The other item tracked at 100% in the
2 PCA is the credit for RECs used to meet Washington RPS. This
3 credit is based on the Idaho allocation of RECs that were
4 retired to meet Washington RPS that would have otherwise been
5 sold. The credit to Idaho customers related to retired RECs
6 was approximately \$39,000.

7 The net impact of these three items is a net deferral for
8 the July 2015 through June 2016 time period of \$483,157 in the
9 rebate direction. Combined with interest, the total deferral
10 balance is \$478,103 in the rebate direction.

11 **Q. What factors contributed to the lower power supply**
12 **expense during the review period?**

13 A. Overall, lower power supply costs were due primarily
14 to favorable natural gas and wholesale power prices, and lower
15 net expense for Colstrip and Kettle Falls generation.
16 Offsetting most of the lower net expense was the expense
17 resulting from lower hydro generation, Palouse Wind and
18 Clearwater Paper.

19 Palouse Wind is currently not included in the authorized
20 level of power supply expense (i.e., it is not included in base
21 rates). Ninety-percent of the actual Palouse Wind expense is
22 included in the computation of the PCA deferral, per the
23 Settlement in Case No. AVU-E-15-05. The credit to Idaho

1 customers related to Palouse Wind RECs in the July 2015 through
2 June 2016 time period was approximately \$307,000.

3 The expense related to Clearwater Paper is a result of
4 the change in the contract between Avista and Clearwater Paper,
5 whereby Clearwater now generates into its own load as opposed
6 to selling their full generation output to Avista, and
7 receiving retail service from Avista for their full load. The
8 PCA authorized base for the July 2015 through December 2015
9 time period included the purchase by Avista of Clearwater
10 generation and Clearwater purchasing an equivalent amount of
11 power at retail rates. This contract, a Power Purchase and
12 Sale Agreement ("Purchase Contract"), was approved by the
13 Commission in Case No. AVU-E-03-07.

14 Given that the power purchase rate was lower than retail
15 rates, when the Clearwater Purchase Contract ended on June 30,
16 2013 Clearwater chose to use its generation to reduce purchases
17 from Avista. The result was a net increase in PCA surcharge
18 deferrals. In Case No. AVU-E-15-05, Avista's 2015 general rate
19 case, the effects of the 2013 Clearwater Paper electric service
20 agreement were incorporated into base rates effective January
21 1, 2016, and the Purchase Contract was removed from the PCA
22 authorized base. As such, the deferral related to the prior
23 Clearwater Paper Purchase Contract ended January 1, 2016.

The table below shows a summary of the major factors driving the deferrals during the review period.

Factors Contributing to Increased (Decreased) Power Supply Expense July 2015 - June 2016 - Idaho Allocation	
Change due to Hydro Generation (1)	\$6,569,081
Change due to Power and Natural Gas Prices and Contract Changes, (2)	-\$10,295,747
Change due to Colstrip Generation and Fuel Expense	-\$705,587
Change due to Kettle Falls Generation and Fuel Expense	-\$764,348
Change in Net Transmission Expense (Expense - Revenue)	\$3,683
REC Sale Revenue	-\$966,031
Palouse Wind Purchase (3)	\$3,930,228
Change due to Retail Loads (4)	\$326,921
Total Expenses Above (Below) the Authorized Level	-\$1,901,800
10% Company Sharing	\$190,180
Idaho Share of WA RPS Compliance RECs (5)	-\$38,978
Clearwater Paper Generation and Revenue Variance (6)	\$1,267,440
Total Power Cost Deferrals, Surcharge (Rebate)	-\$483,157

- 1) Includes the change in hydro generation plus changes in Mid Columbia contract expenses.
- 2) Includes the effect of gas-fired turbine optimization, power and gas price changes and other contract expense and revenue changes.
- 3) This is the Palouse power purchase net expense.
- 4) Includes the reduced expense of lower sales net of the Load Growth Adjustment Rate surcharge.
- 5) This is the credit from Washington customers to Idaho customers for the value of RECs retired to meet meet Washington RPS.
- 6) The expense related to Clearwater Paper is a result of the change in the contract between Avista and Clearwater Paper, whereby Clearwater now generates into its own load as opposed to selling their full generation output to Avista under the 2003 Power Purchase and Sale Agreement. Effective 1/1/2016, the expired Power Purchase and Sale Agreement was removed from the authorized base, and therefore the variance between authorized and actual is no longer tracked in the PCA.

Over the review period, hydro generation was 71 aMW above the authorized level. Gas-fired generation was 22 aMW higher the authorized level. Colstrip generation was 5 aMW below the authorized level and Kettle Falls generation was 3 aMW above

1 the authorized levels. Idaho retail sales were 8 aMW below
2 the authorized level.

3 The table below shows the change in generation and retail
4 loads from the authorized levels.

5

July 15 - June 16 Generation and Load Differences from the Authorized Level		
	<u>Change</u> aMW	<u>Change</u> %
6 Change in Hydro Generation	-71.1	-13.1%
7 Change in Gas-Fired Generation	21.7	5.8%
8 Change in Colstrip Generation	-5.0	-2.8%
9 Change in Kettle Falls Generation	3.1	9.2%
10 Change in Idaho Retail Sales	-7.8	-2.3%

11

12

13 III. NEW LONG-TERM CONTRACTS ENTERED INTO DURING THE
14 REVIEW PERIOD

15 Q. Please provide a brief description of new long-term
16 power contracts that the Company entered into during the review
17 period.

18 A. The Company entered into one new long-term power
19 purchase contract during the review period. In December 2015,
20 the Company entered into a new/renewed four year contract with
21 Hydro Technology Systems, who operates a PURPA hydro facility
22 with a total nameplate capacity of 1.2 megawatts. A copy of
23 this contract is included with supporting documentation.

1 IV. SUPPORTING DOCUMENTATION

2 Q. Please provide a brief overview of the documentation
3 provided by the Company in this filing.

4 A. The Company maintains a number of documents that
5 record relevant factors considered at the time of a
6 transaction. The following is a list of documents that are
7 maintained. Unless noted, these documents have been provided
8 on a compact disc as part of this filing. Other documents will
9 be provided on request:

10 Electric/Gas Transaction Record: These documents record
11 the key details of the price, terms and conditions of a
12 transaction, the reason for the transaction, and pertinent
13 transmission or other delivery issues. The Company has
14 provided worksheets showing the important details of each
15 electric and natural gas term transaction during the
16 review period. Additional documentation will be provided
17 on request.

18
19 Position Reports: These daily reports show the Company's
20 forward load/resource position, daily and term purchases
21 each business day and forward market power and natural
22 gas prices.

23
24 Forward Market Electric and Natural Gas Price Curves:
25 This daily data shows forward market prices for
26 electricity and natural gas and is maintained in Nucleus,
27 the Company's electronic energy transaction database
28 record system. Forward market prices are included in the
29 daily Position Reports.

30
31 Q. Does that conclude your direct pre-filed testimony?

32 A. Yes.